THE BAYLOR BULLETIN

Baylor Business Studies

TENTH ISSUE

THE RISE OF A BUSINESS:
L. L. SAMS AND SONS, CHURCH FURNITURE

By

H. PAUL DELLINGER, B.S.
COL., U.S.A.F.

Founded 1845 at Independence
Under the Republic of Texas

THE SCHOOL OF BUSINESS
BAYLOR UNIVERSITY
WACO, TEXAS

Price 50 Cents

MARCH, 1952

Baylor Business Studies

Published Quarterly by the
Committee on Research, School of Business
Baylor University, Waco, Texas

Subscription Price $1.50 Per Year

SCHOOL OF BUSINESS
Aldon S. Lang, Ph.D., Dean

DIVISION OF RESEARCH
Edwin F. Moore, Ph.D., Director

Committee on Research

H. N. Broom, Ph.D.,
Professor of Management
Chairman

H. H. Hamner, Ph.D.,
Professor of Economics

Neil S. Foster, M.A.,
Professor of Marketing

Emerson O. Henke, M.S., C.P.A.
Professor of Accounting

Co-operating Faculty

Monroe S. Carroll, Ph.D.,
Professor of Economics and Business

Eleanor J. Robinson, Ph.D.,
Assoc. Professor of Economics

Doyle L. Calton, M.A.,
Assoc. Professor of Business

Walstein Smith, Jr., LL.B., M.B.A., Assoc. Professor of Business Law

James F. Goodman, LL.B., M.B.A., C.P.A., Assoc. Professor of Accounting

Edwin L. Caldwell, M.A.,
Asst. Professor of Economics

Edna L. Gregg, M.A.,
Assoc. Professor of Office Admin. and Business Education

Billy J. Hinton, M.A.,
Asst. Professor of Economics

Roderick L. Holmes, M.A., C.P.A., Assoc. Professor of Accounting

Mrs. Ruth Gilbert, M.A.,
Asst. Professor of Office Administration

Vaden Streetman, M.B.A., C.P.A., Asst. Professor of Accounting

Arch W. Hunt, Jr., M.A.
Instructor in Management

THE BAYLOR BULLETIN

Baylor Business Studies

TENTH ISSUE

THE RISE OF A BUSINESS:
L. L. SAMS AND SONS, CHURCH FURNITURE

By

H. PAUL DELLINGER, B.S.
COL., U.S.A.F.

Founded 1845 at Independence
Under the Republic of Texas

THE SCHOOL OF BUSINESS
BAYLOR UNIVERSITY
WACO, TEXAS

Price 50 Cents

VOLUME LV MARCH, 1952 NUMBER 10

Published quarterly by Baylor University, and entered at Waco, Texas, as Second Class mail matter.

PREFACE

Most of the papers presented in the *Baylor Business Studies* series have been written by faculty members of the School of Business. In this issue, however, is presented a study of a Waco firm undertaken by a graduate student in the School of Business. The research was directed by Dr. Homer H. Hamner, Chairman of the Department of Economics.

This paper is an attempt to identify and examine some of the factors which contributed to make a business survive, prosper, and grow. It does not purport to be a complete scientific analysis, but the historical data will emphasize many principles which perhaps will be found in most successful enterprises. The family narrative suggests beginnings not unlike those of other founding families among the nation's established businesses.

Acknowledgement is gratefully made of the co-operative spirit of the owners and management. Some of the founder's children were particularly helpful. But for their assistance much of the value of this paper would have been lost.

Edwin F. Moore
Director of Research
School of Business
Baylor University

TABLE OF CONTENTS

Chapter		Page
I.	INTRODUCTION	7
II.	HISTORY	8
III.	ORGANIZATION	14
IV.	MATERIALS AND SUPPLIES	15
V.	THE FUTURE NEED FOR CHURCH FURNITURE	18
VI.	LIMITATIONS	21
	Distance and Transportation	21
	Availability of Hardwood	23
	Business Cycles and Finance	23
	Industrial	25
VII.	MEASURE OF WORK ACCOMPLISHED	27
VIII.	SUMMARY	28
BIBLIOGRAPHY		31

LIST OF TABLES

Table		Page
1.	Construction Contracts Awarded in 37 States	10
2.	Sales Territory of L. L. Sams and Sons	11
3.	Production Volume and Personnel Employed by Sams Manufacturing Company	13
4.	Annual Gross Sales, L. L. Sams and Sons	13
5.	Sources of Raw Materials Purchased by Sams Manufacturing Company	16
6.	Sources of Commercial Items Purchased by L. L. Sams and Sons	17

LIST OF FIGURES

Figure		Page
1.	Sales Territory of L. L. Sams and Sons	11
2.	Sources of Raw Materials Purchased by Sams Manufacturing Company	16
3.	Sources of Commercial Items Purchased by L. L. Sams and Sons	17
4.	Chancel Furnishings Made by Sams Manufacturing Company	19

I.

INTRODUCTION

A business enterprise whose annual gross sales spiral from $100,000 to nearly $2,000,000 in less than a decade makes an interesting subject for economic analysis. L. L. Sams and Sons, of Waco, Texas, is a firm engaged in the manufacture and marketing of church furniture. Until 1946 its sales had been averaging in the neighborhood of the smaller figure. In that year it started a rapid growth and within five years had reached an annual gross volume of approximately $1,800,000.

The operation is fifty-three years old. It has moved through the classic stages of business control: proprietorship, partnership, and corporation. However, the type of goods handled has never changed. It has progressed from a strictly mail-order business to an operation including retailing, wholesaling, and the actual manufacture of much of the goods sold. This study will briefly describe the history of the business from its inception to the present. The relation of transportation and other limiting factors will be included. Many factors connected with L. L. Sams and Sons will be compared with like factors for this area and for the nation.

From its inception this business enterprise has been devoted to the interest of *church* furniture exclusively. Some of the brokerage items obtained from other manufactureres may have several uses but the total output of the new manufacturing branch consists exclusively of church furniture and fixtures.

In its recent traditions America is a manufacturing country, and expansion of industry in the United States has been remarkably rapid. Not only business in general but also specialized industry has had a phenomenal growth in the past two decades. Since the war, manufacturing has increased until now there is fifteen per cent greater production over all than at the height of World War II. Raw materials cannot keep pace with manufacturing facilities. A twenty-five per cent increase in production of raw materials is needed.[1] Actually production in the second half of 1951 was lower than in the first half[2] That is not neces-

[1]Harriman, John, "We All Want Inflation," *Atlantic Monthly,* (January, 1952), pp. 38-39.
[2]*Fortune,* (January, 1952), p. 25.

sarily a trend, however, because production was eight per cent greater for the entire year of 1951 than it was for 1950. This is twice the average annual increase.

In a recent issue the editors of *Fortune* magazine classified a new middle class business activity as promising.[3] They insisted that such enterprise might well be the backbone of our future business interests. Actually a strong new middle class might symbolize the abundant health of the United States economy. Its members have been pushed into their present economic position by a general prosperity at the lower levels. Money in the hands of millions of people at the base of the economic pyramid will keep them at the summit and in the next few years will add to their number from among the strongest who are now at the base. Although reported as being reduced in number, small business has in fact prospered and now is often in big business brackets, having grown rather than failed.[4]

II.

HISTORY

In 1898, the Reverend L. L. Sams, a Baptist preacher of Whitney, Texas, conceived the idea of supplementing his meager ministerial pay. He could do this by supplying churches in which he visited with much needed furniture and fixtures. Small country church buildings all through the state of Texas were poorly furnished and lacked even minimum facilities which would help produce a proper physical background for meditation. The need for new pews and pulpits was everywhere apparent. With a view to some day beautifying all places of worship and giving them an appropriate atmosphere, Mr. Sams determined upon the idea of being a salesman for the much needed equipment.

Another incentive for this "extra-curricular" activity of a Baptist preacher was the needed income for providing his children with a Christian education. Although he had only two offspring at the time he first began selling, he later had the responsibility of providing a college education for an enlarged family of four children. All four eventually received degrees from Baylor University, Waco, Texas.

[3] *Ibid.*, "The New Rich," p. 107.
[4] *Ibid.*, p. 146.

He obtained his first sales through friends in his churches. During a part of his career he represented northeastern factories on a commission basis. At other times he worked for a salary. However, since he moved his pastorate so frequently the commission became the more usual remuneration.

Upon the completion of his children's education his original prime purpose for selling furniture was consummated. But by 1920, Ross, the first son, had graduated from college and had not found any business that looked more enticing to him than selling church furniture. Consequently he entered the business with his father while they lived in Crockett, Texas.

For twenty-two years Preacher Sams' wife had helped him by keeping his business books. The whole family contributed to the functioning of the business. Some clipped items concerning new churches which were proposed. Others folded letters, or sealed and mailed them.

At first, religious papers, a source of information on possible sales, were borrowed from anywhere they could be found. Friends also helped keep Mr. Sams informed when they found news items of new churches to be built. As time passed, Mr. Sams subscribed to other papers for the specific purposes of his business. Later, trade journals were added to his list of necessary subscriptions. The organization stayed wholly within the family until they moved to Houston in 1922, when a secretary was employed.

When Ross entered the business in 1920 he conceived the idea of "service" to the churches. He began by the *installation* of furniture. He felt that this would be an added inducement for churches to do business with his firm. Up to that time the fixtures were ordered by mail. Industry custom left it to the church to get them installed. This extra service seemed partly responsible for a boost in sales to $150,000 in 1924. This change called for an addition to personnel in the person of Rowe Sams, the younger brother, who by this time had graduated from college.

In 1927 the father retired from the business and sold it to the two sons. The next four years were prosperous, although religious construction nationwide was declining. (See Table 1.) However, the Great Depression had struck late in 1929. By 1931 Rowe felt it was futile for both brothers to continue in the business and he sold out to Ross. Had it not been for the oil boom, which hit Texas in 1931-33, Ross probably would have

followed Rowe and withdrawn from this type of business. In those days the firm was sustained by just a few odd jobs. It furnished churches at a rate of about one a year.

TABLE 1

CONSTRUCTION CONTRACTS AWARDED IN 37 STATES[1]

(VALUE IN MILLIONS)

Year	Religious[2]	Manufacturers	Total
1927	$156.3	$375.9	$6,303
1929	106.1	545.9	5,750
1931	53.1	116.0	3,092
1932	27.3	43.5	1,351
1933	17.7	127.5	1,255
1935	23.7	108.0	1,844
1937	36.9	313.7	2,913
1939	38.4	174.8	3,550
1941	52.5	181.5	6,007
1942	23.5	227.5	8,255
1943	7.1	776.0	3,274
1944	11.6	472.7	1,994
1945	34.8	1,027.0	3,299
1946	67.6	1,317.0	7,489
1947	117.5	941.0	7,760
1948	245.2	839.8	9,430
1949	275.5	558.6	10,359
1950	336.3[3]	1,142.0	14,501
1951	450.0[4]		

[1]*Statistical Abstract*, 1951.
[2]Represents all religious construction of which church construction is only one item.
[3]*Christian Century*, January 10, 1952, says that $1,000,000,000 was spent for church buildings in 1950.
[4]*Ibid.*

Now came the lean years. The firm's personnel had returned to two: Ross and one secretary. Finally Ross was left by himself during 1931-33. Later, having survived the depth of the depression, he found that the business responded to the stimuli of recovery. Slowly it was growing back to normal. By 1938 the application of new business methods again yielded reasonable returns.

During the period 1938-40 a freight truck was added to the service equipment. Rowe came back into the business, and a bookkeeper was added. Unique service was again the keynote of the business in the "comeback" years. It was believed that if the firm could promise a church *delivery* on an order at a certain time and include *installation for one price* the chances for a sale

would be greatly enhanced. The idea met with popular approval.

On one occasion the spokesmen of a small church, who were approached on Monday morning, said they would buy if they

FIGURE 1

SALES TERRITORY OF L. L. SAMS AND SONS

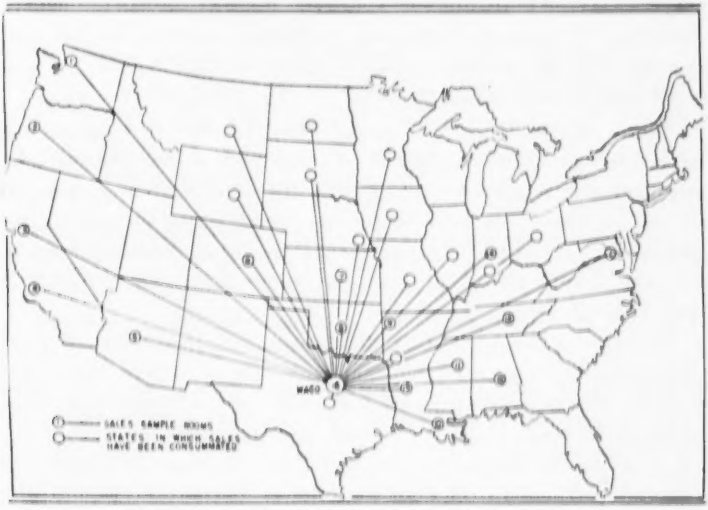

TABLE 2

SALES TERRITORY OF L. L. SAMS AND SONS

SALES OFFICE LOCATIONS

Alabama, Birmingham	**Indiana,** Bedford	**Oklahoma,** Okl'ma City
Arizona, Phoenix	**Louisiana,** Monroe	**Oregon,** Portland
Arkansas, Little Rock	New Orleans	**Tennessee,** Lewisburg
California, Los Angeles	**Mississippi,** Jackson	**Texas,** Waco
San Francisco	**Missouri,** Pineville	**Washington,** Seattle
Colorado, Denver		

OTHER STATES WHERE SALES ARE MADE

District of Columbia	**Minnesota**	**Ohio**
Illinois	**Montana**	**South Dakota**
Iowa	**Nebraska**	**Wyoming**
Kansas	**North Dakota**	

could have the furniture installed ready for use by the following Sunday for their regular services. A contact by phone with a local manufacturer assured Ross that the project would be given

first priority in the shop; so the church contract was taken. A competitor came into the same church the same day. He laughed at the idea and promised to make delivery of new furniture in nine months. He even suggested that the church would probably receive second hand furniture under the Sams contract. But the Sams contract was fully performed. Virgin boards were cut to size on Monday afternoon, glued on Tuesday, milled on Wednesday, stained and finished on Thursday, dried on Friday, installed on Saturday, and used on Sunday morning at the hour for the regular service. This is typical of the "unique service" performance which has characterized the business ever since.

When World War II started, Rowe left the firm again and served his government. In 1946 he was back in the firm as sales manager and remained to help build the enterprise to its present strength. Under his sales leadership the territory served has expanded from Texas and contiguous states to all territory west of the Mississippi River, plus several states east. (See Figure 1 and Table 2.)

In 1946, without warning, the source of supply for all their custom-made furniture was suddenly cut off while they held $90,000 of unfilled orders on file. The only solution seemed to be for L. L. Sams and Sons to start manufacturing for themselves. In 1946 they bought a shop on Third Street in Waco and employed four millworkers to fill the back orders. Some orders had been taken for eighteen months delivery when promised by suppliers. However, the oldest order taken by Sams was delivered in twelve months. Then the time was cut rapidly until delivery became almost current with orders.

In 1947 the present factory was bought. The number of employees in the factory grew from 4 in 1947 to 125 in 1950, with another 25 in the sales organization. The factory produced $60,000 of furniture the first part-year of operation, and production had increased to $1,600,000 by 1951. (See Table 3.) The total sales have grown from $171,580 in 1946 to about $1,800,000 in 1951. (See Table 4.) The business has grown from one catering to churches within the friendship range of a country preacher to one which sells throughout most of the United States.

It is significant that the business was founded by a devout minister for the purpose of giving Christian education to his children. The business has never veered from a spiritual precept even as it passed down to the next generation. The new enlarged

business has been founded on these same principles and leaders throughout the organization are active churchmen and tithers. Practically all of the executives of the firm are deacons or junior

TABLE 3

PRODUCTION VOLUME AND PERSONNEL EMPLOYED BY SAMS MANUFACTURING CO.[5]

Year	Production Volume	Personnel Employed
1947	$60,000	4*
1948	400,000	40
1949	860,000	70
1950	1,350,000	125
1951	1,600,000	80**

* These original four men are still working with the company.
** Although the number employed dropped 35 per cent from 1950 production increased 18.5 per cent.

[5]Records of Sams Manufacturing Co.

deacons of their respective churches. One could hardly find a more appropriate business for dedication. This company has provided many "fringe benefits" to its employees that few of the

TABLE 4

ANNUAL GROSS SALES, L. L. SAMS AND SONS[6]

Year	Sales	Year	Sales
1898-1920	$15,000 (Annual av.)	1942	96,390
1920	150,000	1943	142,945
1931	50,000	1944	113,274
1933	75,000	1945	111,812
1936	43,626	1946	171,580
1937	53,254	1947	443,722
1938	71,861	1948	769,386
1939	106,294	1949	1,105,632
1940	98,840	1950	1,585,568
1941	130,445	1951	1,757,560

[6]Records of L. L. Sams and Sons.

"new rich" category have granted. Such benefits, some of which are dealt with in a following section, must be attributed to the character of the organization and personnel who manage it.

III.

ORGANIZATION

The present organization of L. L. Sams and Sons is only a part of the final expansion of the original business. Whereas now the name still applies to the brokerage firm, another activity has been added. Sams Manufacturing Company is incorporated as a separate business. Each corporation is owned by three individuals. The president is the only one with interest in both units. The Sams Manufacturing Company produces exclusively for L. L. Sams and Sons. The latter, on the other hand, does about twenty per cent of its business with outside firms.

While the organization of the sales department, or re-vamping of the old brokerage unit, has not necessarily mushroomed within its own organization, the manufacturing unit which supplies the finished goods to them has "boomed." L. L. Sams and Sons grew slowly from about five employees in 1946 to about 29 in 1951. It is organized into departments under the supervision of the office manager as follow: (1) Sales, (2) Accounting, (3) Office Administration.

The difference in selling and operating now and prior to 1947 is in the main due to the work of the Sams Manufacturing Company. This company was conceived in self-defense after the brokerage firm was cut off from its source of supply in 1946. Manufacturing alone now accounts for more than sixteen times the amount of business that was being handled by the entire firm on the average in the ten years preceding.

As organization of Sams Manufacturing Company was adjusted, the work force increased from the original 4 mill workers in 1947 to a high of 125 in 1950. The average number employed for 1951 was about 80. While the force was decreasing 35 per cent the work output was increasing by 18.5 per cent. In great part this increase in work output is accounted for by increased experience of personnel and by work incentive pay scales. (See Table 3.)

All of the workmen are local except for one Austrian who came into the country as a displaced person. He is skilled as an artistic wood carver and his work consists both of making patterns and of putting finishing touches by hand to much of the delicate pulpit construction. Half of the local workmen are skilled and half are unskilled laborers and learners.

They are non-union and apparently like it that way. They

get all that the unions can get for them and at the same time do not pay union dues.[1] They have a group insurance plan, which covers both life and hospital insurance for the workmen and their dependents. There is no retirement plan other than Federal Social Security. Incentive pay is one of the big attractions at this plant. It involves full pay for work done quickly. In other words, the work day can be longer than eight hours measured in goods produced. If it takes four hours to produce eight hours' work it might be possible to earn two days' pay in one day. There is a week's vacation each year with bonuses at Christmas, a club house on the Bosque River with boats and other facilities for the employees, and a cafeteria in which food is served at cost. In addition to these facilities a welfare fund is being built out of profits from vending machines. Housing is available near the plant for many of the employees at a very nominal cost.

Turnover of employees has been relatively low, probably no more than five per cent per year other than for those discharged in the interest of the operation of the company. Absenteeism runs about two or three per cent. Wages are generally higher than they are in the industry as a whole. They average about $1.42 per hour as compared with an average for furniture and fixtures manufacturers in the state of Texas of $1.11 per hour.[2] The presence of the original four employees of the firm attests to the favorable comparison of pay and other advantages which this plant enjoys.

The chain of command runs from the same president and secretary-treasurer as in L. L. Sams and Sons, then down to the plant manager and from there to the plant superintendent. The plant is organized on a functional basis under the plant superintendent into seven departments as follows: (1) Receiving, (2) Milling, (3) Cabinet, (4) Sanding, (5) Painting, (6) Maintenance, and (7) Shipping.

IV.

MATERIALS AND SUPPLIES

Raw materials are obtained from at least sixteen states of the Union. Hard oak lumber is the chief raw material. It is obtained from North Carolina, Tennessee, Kentucky, and West Virginia, the particular type being known as Appalachian Oak. Glue is

[1]The most recent evidence, February 20, 1952, has reaffirmed this conclusion by vote of more than 2 to 1.

[2]*Texas Labor Market,* (October, 1951.)

perhaps the next most used item. It comes from Minnesota and New York. Other materials consist of cabinet hardware, paints, abrasives, packing materials, sponge rubber, and velour. (See Figure 2 and Table 5.)

FIGURE 2

SOURCES OF RAW MATERIALS PURCHASED BY SAMS MANUFACTURING COMPANY

(BY STATES)

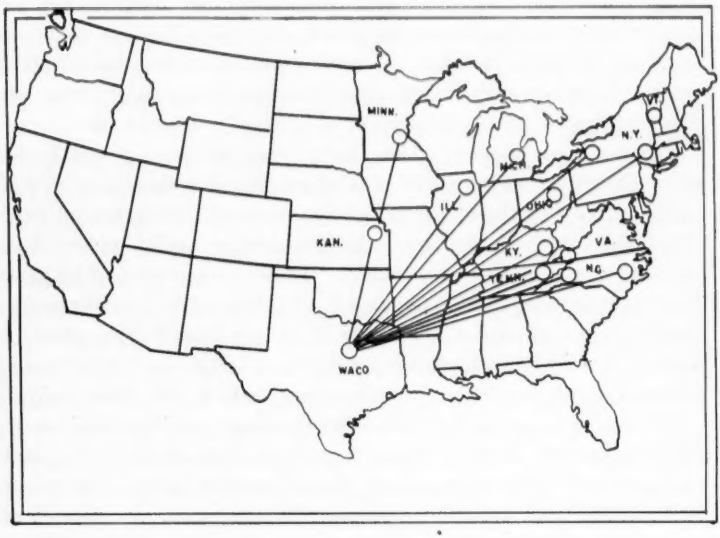

TABLE 5

SOURCES OF RAW MATERIALS PURCHASED BY SAMS MANUFACTURING COMPANY[1]

(BY STATES)

Minnesota—Glue
Illinois—Hardware
Michigan—Stock
Carvings
Ohio—Foam Rubber
Rubber Cement
Kentucky—Oak
Lumber
Tennessee—Oak
Lumber
West Virginia—Oak
Lumber
North Carolina—Oak
Lumber
Velour
Kansas—Paints
New York—Foam
Rubber
Glue
Abrasives
Hardware
Vermont—Packing
materials

[1]Records of Sams Manufacturing Company.

Lumber is used at the rate of 110,000 board feet per month at an approximate cost of $45,000. A sixty day supply is maintained at all times. This is not only provision against emergencies, but also permits a wide choice in matching grains for a complete set of furniture.

FIGURE 3

SOURCES OF COMMERCIAL ITEMS PURCHASED BY L. L. SAMS AND SONS

(BY STATES)

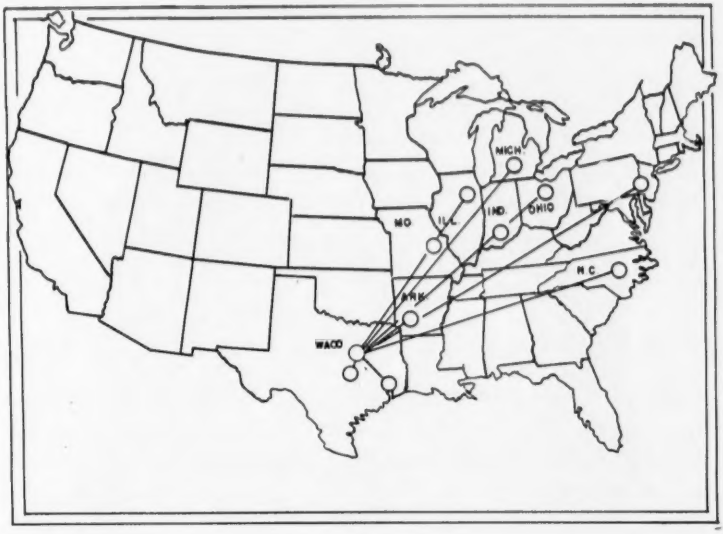

TABLE 6

SOURCES OF COMMERCIAL ITEMS PURCHASED BY L. L. SAMS AND SONS[2]

(BY STATES)

Texas—Opera Chairs
Straight Chairs
Tables

New York—Folding Chairs
Chrome Furniture

Missouri—Folding Chairs

Ohio—Office Chairs

Arkansas—Folding Chairs

Indiana—Folding Chairs
Office Desks

Illinois—Bronze Memorial Plates
Chrome Furniture

Michigan—Folding Chairs
Folding Tables

North Carolina—Graded Straight Chairs

[2]Records of L. L. Sams and Sons.

Raw materials for this type of work have never been critical for this firm. Labor was the critical item during the war period and immediately following. Finished items were critical in 1945-47 since this firm bought entirely from other manufacturers. Eventually suppliers defaulted on contract performance. The most acceptable offer was eighteen months' delivery. This lack of dependability on the part of suppliers was the stimulus which set L. L. Sams and Sons manufacturing for themselves. Since they have manufactured for themselves there have been no critical items. The amount of steel used is negligible. Items which are critical in the national economy are used in such small quantities that there has never been any trouble getting all the material necessary for operation.

Some few jobs are "farmed-out" to other firms. These include sewing of cushions, which are made from velour, and silver engraving. All subcontracts are given locally.

A photograph of one type of the finished work is shown in Figure 4. Such items are custom built for each church.

V.

THE FUTURE NEED FOR CHURCH FURNITURE

The manufacture of church furniture is an old specialized business, but the current church building boom and the program for re-equipping old churches point toward adoption of new methods in the industry.

During the depression churches refrained from re-equipping with new fixtures because of a dearth of church income. There was a decade of slow business in this field. When World War II came and money became plentiful it was everyone's patriotic duty to refrain from spending except for the necessities of life for another five years. During these fifteen years church membership increased by perhaps 45 per cent with little church building or purchase of equipment. Church membership is now increasing more rapidly, and more churches are needed for this new membership. Not only must the lag of the depression and war years be overcome but also the new demand must be taken care of.

There was a net gain in 1950 of 2,950,987 members for churches of all denominations in the United States. There was also a net

FIGURE 4

CHANCEL FURNISHINGS MADE BY SAMS MANUFACTURING COMPANY

gain of 3,214 congregations in 1950. Although there is an average of about 300 members per church in the United States, the enrollment per church is growing and the building of churches is

not keeping pace with increased membership. This fact means that some congregations are very poorly housed.

The normal growth in church membership will require about 10,000 new church buildings of average size per year. In addition church buildings should be replaced about every 50 years, or more often. More business in the field of church furniture is possible for those who actively seek it.

There is little likelihood of this demand decreasing in the near future. A membership campaign is being conducted in practically every church in the land. The Methodists have a four-year crusade to enroll two million members. The Baptists have a year-to-year campaign to add members. Indications are that these campaigns pay dividends since the rate of growth is increasing annually.

There are other influences affecting this spread of membership. The Gideons in 1949 circulated 2,809,397 Bibles, 3,376,328 youth testaments, and 9,678,984 military testaments. Baptists, both State and Southern Conventions, distributed 125,000,000 pieces of Christian literature in 1950. During 1947 the American Bible Society circulated 9,310,439 copies of scriptures, 4,020,683 of them at home, in 167 languages. All denominations are circulating Bibles and literature and running advertisements in magazines and local newspapers in ever increasing numbers.

In addition to these influences there are psychological books being published with a religious moral to help quiet the troubled mind and point the way to more abundant living with "peace of mind." This may lead many people to church affiliation.

There is no lack of demand now for building and equipping new churches, nor does it appear that there will be in the near future. The field is far from being saturated with producers and apparently those in the field have almost unlimited room for expansion. Manufacturers of church furniture might well follow the Biblical exhortation, "Look on the fields; for they are white already to harvest."[1] The whole West Coast is opening up as a new Baptist field and undoubtedly other denominations also will see fit to keep up with the expansion of business and population.

Money for church investment is available and apparently will continue to be available for several years to come. Church building in 1950 totaled $1,000,000,000. (See Table 1.) More than twenty of the churches built cost more than $1,000,000 each. New church buildings valued at $250,000,000 and church and non-public col-

[1]John 4:35.

lege and university construction valued at $200,000,000 were started in 1951. The budgets of all churches are growing each year and, with the business outlook good for several years to come because of defense spending, church investment will almost certainly grow rather than diminish. More and more preachers are being trained in seminaries. They are potential salesmen for church construction.

Foreign areas are progressively opening up as customers for furniture. Brazil is especially anxious to buy furniture in North America if the product can be shipped "knocked-down" so that the freight doesn't make the cost prohibitive.[2] Apparently less has been done in foreign trade with specialized church furniture. L. L. Sams and Sons specialize in designing and manufacturing church furniture and fixtures for delivery "knocked-down." However, they have not as yet entered the export field.

VI.

LIMITATIONS

A. Distance and Transportation

One of the principles upon which L. L. Sams and Sons was built is special service. Delivery of the furniture and fixtures to the church and their installation are applications of that principle. To accomplish delivery, transportation is necessary. Since public transportation is not always dependable, a private transportation system was organized and put into operation in 1938.

The system now consists of six semi-trailer vans and four tractors. Two of the tractors are heavy duty for long hauls and heavy loads. The other two tractors are lighter for short hauls, usually within 600 miles. There is another truck of the 2½-ton capacity type which is used for purely local hauls. There are no scheduled runs. Trips have been made as far as Washington, D. C., California, Oregon, North Dakota, and Minnesota. The tractors run up a total of about 20,000 miles per month on their trips. All vehicles contribute to a grand total of at least 250,000 miles per year. This haulage represents a $100,000 business within itself.

The use of these trucks does not rule out the use of public transportation at times. When the sale involves a commercial

[2] *Woodworking Digest*, March, 1950, p. 37.

type of item common carriers may be chosen if freight rates indicate economy. Car lot rates are cheaper than the cost of running two trucks on certain trips. Two van loads will fill a railway car so that commercial shipment may be used when that condition exists. It is usually safer and more satisfactory, however, to ship locally manufactured pews and pulpits by private van regardless of whether there is a full van load or not. Special handling is necessary and is obtained by using the installation crew to supervise loading and unloading.

A problem which contributes to the choice of the best means of transportation is whether the installing crew must be taken along with the vehicle. Since the cost of running the vans amounts to forty cents per mile and the need to fly the crew to the job adds a definite expense, commercial freight hauling may be desirable. Still another factor to be considered is the great amount of free advertising which the vans give the firm. This has registered verifiable results. Customers have written in for information after seeing one of the vans pass through town with the name of L. L. Sams and Sons written on the vehicle.

Since all the hauling is for the seller of the goods to be delivered, the Interstate Commerce Commission does not exercise jurisdictional control over their movement. However, the intrastate problems are almost unlimited. An accounting of the load contents must be made at every state boundary. Gasoline must be measured to see that the vehicle is not depriving the state of revenue by the use of untaxed gasoline. Load limits are easy to violate because each state has its own load limit regulation and those facts are not always known. Although the load may be legal in Texas it may be overweight in an intermediate state between Waco and the destination.

In one case the load was 300 pounds overweight for entering New Mexico. By persuading the authorities to permit withdrawal back into Texas the driver delivered part of the load to a Texas destination before proceeding into New Mexico with a legal load. In another instance a local van line was hired to haul a part of the load across Kansas. At the border it was again loaded onto the original van and proceeded on its course.

Insurance must be maintained on vehicles and goods. An idle vehicle runs up the cost of operation. There must be enough vehicles to do the job yet for reasons of efficiency there must not be idle equipment.

Many churches are not ready to receive their furniture when it arrives even though they cleared it for delivery. If commercial vans were hauling the goods expensive problems would arise. Handling and storage and re-handling later would increase the costs excessively. Not only are the costs major problems but the commercial motor line might not know what to do under the circumstances without contacting the home office.

Another factor is cargo insurance. There is a special rate in inland-marine items. If something of particular value is to be hauled a short term rider must be obtained and attached to the insurance policy for one trip only.

A cost accounting system is maintained. The transportation line must be kept "out of the red." All prices are F.O.B. the factory.

This van line is not in competition with commercial van lines because it does not haul anything for anyone else. It is supported directly by the charges on the goods shipped.

B. Availability of Hardwood

For many years much has been said by experts about the depletion of our native American forests. Virgin forests were cut and the land left to erode with no thought for the future. Following the example of many European countries where wood shortages are already a serious problem, our government has finally initiated programs for the replanting of forests previously cut over.

Although it had been discussed for years no appreciable progress had been made toward replanting until the past two decades. During the depression young men in CCC camps planted millions of acres of new forests. Great logging companies in recent years have started replanting where they have cut out virgin growth. The government is still replanting on government owned land. All concerned have spent $212,000,000 in reforestation in twelve states.

"Oak wilt" is a menace to the hardwood forests and is slowly spreading without very much control. There is no reason to feel that a means of combatting it will not be found, but at present it is gaining on the natural growth. Propaganda campaigns for the conservation of our natural resources will pay off by challenging some botanist to devote his time to such problems.

C. Business Cycles and Finance

The real strength of a firm can perhaps be analyzed more

accurately by a study of performance through one complete business cycle. L. L. Sams and Sons, as it currently exists, has not had that experience. The Great Depression of the thirties caused many businesses to close down completely. The index of industrial production in 1929 was about 127 but three years later, in 1932, it had dropped to 58—a decline of about 54 per cent. Today it is about 230, an almost 300 per cent rise over 1932. Apparently, activity in this industry shows a cyclical pattern whose high and low points are more extreme in position than those in the pattern for business in general.

With good management a business moving with the industrial recovery upswing in a business cycle has a fair chance to succeed. There were 31,822 business failures in 1932 at the bottom of the depression. This was the greatest number of failures in one year in the history of the United States. However, in the recovery phase failures continued to occur. In 1949 they had climbed again to 9,246 after reaching a low of 809 in 1945. Most businesses which fail do so within five years after organization and probably have financial difficulties almost constantly before failure occurs. Since starting the actual manufacture of church furniture L. L. Sams and Sons has shown consistent growth. Financial strength is indicated. The profits have been consistently healthy and capital gains have been appreciable.

Another limiting factor is, of course, the future availability of credit. Savings in the national economy in the fall of 1951 were at the rate of $20 billion per year. The current rate of saving is higher than it has ever been except in 1944 when it reached $35 billion.[1]

In 1938 there were 1,200,000 people making between $3,000 and $5,000 but in 1948 there were 14,000,000 for a 1000 per cent increase in ten years.[2] In 1948 there were also 15,000 people in the $100,000 to $300,000 class along with 50,000 in the $50,000 to $100,000 class and 175,000 in the $25,000 to $50,000 class.[3]

National income is increasing. In 1950 it was $235 billion and in 1951 it reached $252 billion. Money supply is also increasing. In 1915 money available measured $25 billion. In 1945 it had reached $150 billion and in 1950 it stood at $170 billion. Government spending has reached $78.5 billion from $42 billion in 1950.

[1] *Fortune*, (January, 1952), p. 24.
[2] *Ibid.*, p. 62.
[3] *Ibid.*, p. 60.

It is expected to drop off gradually from approximately $78.5 billion in 1952 to $60 billion (in 1957) and then level off.[4]

D. Industrial

As pointed out in an earlier section, about 50 per cent of the shop personnel of Sams Manufacturing Company are skilled workers. Of these, many are specially trained for their jobs. One, a displaced Austrian, is a trained craftsman from the old country. Lumber inspectors are trained in Memphis and cabinet makers and painters are trained in local trade schools.

One of the advantages this factory enjoys is its specialized woodworking equipment. Industry spokesmen insist that, to succeed, woodworking plants must be equipped with the most efficient modern woodworking machinery.[5] This equipment was installed when the factory was established and thereby helped put Sams Manufacturing Company on a sound competitive basis.

In general the manufacturing equipment is specialized for one job only. There is a Bilstorm Multiple Section Glue Clamp Carrier, a 5-ton electric laminating press, 3 Mattison Heavy Duty Straight Line rip saws, ball bearing planers and motors, double spindle shapers, and hydraulic sanders, to name a few of the special tools. By using progressive assembly line methods efficiency is increased. Plant layout is a vital factor in getting efficiency.[6] Flow charts, floor plans for assembly line, production charts, and personnel job assignments are vital in plant layout.

Research is carried on where the job is installed. When new processes or methods are used, frequent inspection is made of the installation for a long period of time to see how the furniture holds up in use. Glue is a major source of possible trouble. A formaldehyde resin glue is used exclusively and when properly used the glued joint is stronger than the wood which it holds together. Special attention is always paid to glue jobs and the operators must be specially trained for the work.

Trade training is needed. There is an apparent shortage of skilled workers for the future.[7] The average age now for skilled workers is 48, yet the age of many workers ranges between 60 and 70 years. This indicates a wide span of years between the older experienced artisans and the new crop of would-be artisans.

---

[4] *U. S. News and World Report,* (February 23, 1951.)
[5] *Woodworking Digest,* (August, 1949), p. 41.
[6] *The Wood Worker,* (July, 1950), p. 26.
[7] *The Wood Worker,* "Trade Training Needed," (February, 1950), p. 52.

The industry has made a poor showing in training millwork specialists during the past two decades. Many were lost to other industries which paid more. The slack was taken up by using more machinery and by using more workers from European countries.

There are advantages in small plants.[8] The woodworking phase of industry as a whole contains a greater number of small plants than most other types of industry. Business experience also shows that small plant failures reach a larger percentage compared with large plants. To be successful, someone has said that it is not necessary at all to be big. One should only think big and act big.

Business failures are caused by human failures. That is, failures in judgment, personality, decision, ability, and "know-how" yield business failure. Two out of every three concerns which failed in 1950 had been in business five years or less.[9]

The furniture industry evolved during the 19th century from a handicraft to an extensive factory industry. Ninety per cent of all furniture is made from wood. There are 3500 manufacturers of furniture located in 45 of the 48 states. They make furniture valued at $1 billion per annum using 3.5 billion board feet of lumber.[10] Of course church furniture is a highly specialized type of furniture and represents only a small percentage of the total of all furniture manufactured.

For tax purposes the machinery in general is amortized over a period of ten years. The $120,000 worth of capital equipment in Sams Manufacturing Company then depreciates $12,000 each year. Since this company had been in operation only a little more than five years it can not as yet be determined whether this rate is adequate or not.

Producing church furniture and other church millwork is difficult.[11] Simply producing church pews of average design is difficult, since they must fit the slant of the floor in the church and sometimes must match other similar furniture which is already installed. Frequently a church wants an individual design. Very

[8] *The Wood Worker*, "Small Plant Advantages," (May, 1950), p. 48.
[9] *Woodworking Digest*, (July, 1951), p. 81.
[10] Geo. T. Renner, *World Economic Geography*, Thomas T. Crowell Co., N. Y., 1951.
[11] *The Wood Worker*, "Producing Church Millwork," (September, 1950), p. 26.

little of the pulpit work can be so standardized that jigs and patterns can be used for mass production.

In ecclesiastical woodwork, mahogany, walnut, and oak are the most common types of wood for high grade jobs. Since there is less competition in this field there is more profit on making such items as windows, doors, interior trim, and cabinet work.[12]

In case of a national emergency it would be possible for Sams Manufacturing Company to do war work. It would take some retooling but the workmen are wood specialists and it does not matter what they are making as long as the raw material is wood. There is a difference in working hardwood and softwood, but a millworker learns the difference with his trade. Wooden desks and chairs are items that could be made without any retooling. Those are items which the government uses in large quantities. It would also be possible for the company to go into the field of plastics.

VII

MEASURE OF WORK ACCOMPLISHED

To reduce the work to a figure which is understandable it is pointed out that the average church in the nation has approximately 300 members. Such a church will provide about 225 linear feet of pews for its members. Sams Manufacturing Company is now producing almost enough seating for two average sized churches per day. In one year it will turn out enough seats and pews for about 500 churches.

With 3,214 churches built in 1949 this indicates that Sams would have been able to meet about 15 per cent of the nation's demand for church furniture. However, the needs are for 10,000 new churches per year.[1] Thus Sams is now producing about 5 per cent of the nation's actual church furniture needs which are necessary in order that church capacity may be kept current with the membership increase.

Sams' transportation system is a major accomplishment in itself. The 250,000 miles traveled each year by its vans is the equivalent of travel around the world at the equator ten times. The cost of operating this van line is approximately $100,000 per

[12] *The Wood Worker*, "Ecclesiastical Woodwork," (November, 1950), p. 42.

[1] This is based on membership growth.

year. This is equivalent to the average brokerage business throughout the ten years immediately preceding the start of manufacture by Sams Manufacturing Company.

Another measure is found in comparison with the total business in Central Texas. This area comprises sixteen counties in the heart of the state. The value of the products manufactured in that area amounted to approximately $150,000,000 in 1950. Of this amount 13 per cent is wood products. Sams Manufacturing Company produces about 1 per cent of the total manufactured goods in the area and 16 per cent of all wood products.[2] It produces 4.84 per cent of all goods manufactured in Waco by 260 industries.[3]

To date nineteen states have supplied customers. Sixteen cities in fourteen of these states have sample show rooms for the display of the products of Sams Manufacturing Company.

Of L. L. Sams and Sons' sales volume 60 per cent is within the state of Texas; and, of the remaining 40 per cent outside Texas, Oklahoma accounts for 7 per cent, Louisiana 10 per cent, New Mexico 6 per cent, and all other states 17 per cent.

VIII

SUMMARY

This analysis has examined the growth of a new business in the promising Southwest. In part the writer has explained the circumstances and causes attending this growth. The firm originated in an effort to make a family provision and fortune more secure.

The evidence presented shows that a business built on sincere Christian principles can thrive and pay large dividends. The minister who founded the business had a wide circle of friends among the churches of the area. The descendants of the founder have nourished that heritage and by their own rights have become leaders in church activities as Christian laymen. Their contacts in Texas, Oklahoma, and Louisiana, where most of their business is accomplished, will be paying dividends for another generation.

But the evidence shows more than success built on good intentions and sound ideas. It is notable that managerial ability was

[2]Federal Reserve Bank of Dallas, *Central Texas An Area of Economic Expansion,* June, 1951.

[3]Burtchett, Floyd F., "Metropolitan Waco: A Study in Business and Economic Development," *Baylor Business Studies,* March, 1951.

reflected in decisions leading to business size, product change, division of tasks, factory location, market extension, and distinctive services. Reorganization of an old business, new business methods, and competitive efforts laid the foundation for a phenomenal growth.

Vertical integration increased the range of adaptation. A purely brokerage business has its limitations. Substantial control over the manufacturing source of supply, however, opens a potential which appears almost unlimited in its scope.

This business is sensitive to the business cycle. It would seem that fluctuation in this type of business, which depends for the greater portion of its sales on organizations supported by gifts (churches), would be greater than the normal fluctuation. Although the present organization has gone through less than a complete business cycle it is probable that the experience of the predecessor brokerage business will indicate what should be expected. In the depression, normal business outlets were cut off but some other outlets developed. If the churches had been the *only* customers this business would have "hit zero" during the depressions and would then have "rung the bell" on the opposite scale during prosperity. Since churches *are* the *chief* customers, the business should be expected to have much more extreme fluctuations in its cycle than business in general.

Waco stands to profit by this business by adding manufactured value to the raw material which is funneled in from various eastern and northern states. In the main. the finished products are shipped westward.

There is a potential future shortage of skilled workers in this line of work. There must be inducements to keep artisans in this business and to encourage the establishment of additional schools to train those who might be persuaded to choose this type of work as a vocation.

The church furniture manufacturing and sales business appears to have a bright future for several years. There is a threat to the timber used for this purpose but even if that threat remains uncontrolled the supply will last for years. However, it is reasonable to believe that the threat (wilt) will be overcome and good timber will continue to grow. Barring labor troubles and catastro-

phe the next decade should be economically sound for church furniture. The national economy, spread of church membership, possible overseas markets, and an ideal location for production all appear to foretell prosperity for this church furniture business.

BIBLIOGRAPHY

Primary Sources

Interviews:

Mr. Ross Sams, Mr. Rowe Sams, Mrs. W. H. Beazley, Mr. Ted Talbert, Mr. George Crow, and Dr. M. W. Sutcliffe.

Company Records:

Income Tax Forms, 1937-42.

C.P.A. Reports, 1942-51.

Books

Mead, Frank S., *Handbook of Denominations in the United States,* Abingdon Cokesbury Press, 1951.

Renner, Geo. T., *World Economic Geography,* Thomas Y. Crowell Co., N. Y., 1951.

Periodicals and Pamphlets

American Forests, (Sept., Oct., Dec., 1949; Apr., Aug., Sept., 1950; Jan., Feb., Mar., Apr., May, June, July, Aug., 1951).

Baylor Business Studies, (Sept., 1950, Mar., 1951).

The Baylor Line, (Nov.-Dec., 1950).

Christian Century, (Jan. 10, 1950).

Christian Herald, (July 21, 1951).

Fortune, (Jan., 1952).

Forum: *Central Texas, An Area of Expansion,* Federal Reserve Bank, Dallas, Texas, (June, 1951).

Texas Labor Market, (Oct., Nov., 1950; Jan., July, Sept., Oct., 1951).

Texas Parade, (Sept., 1951).

The Atlantic Monthly, (Jan., 1952).

The Wood Worker, (Aug., July, 1948; Apr., May, June, July, Aug., Sept., Oct., Nov., Dec., 1949; Jan., Feb., Mar., Apr., May, June, July, Aug., Sept., Oct., Nov., Dec., 1950; Feb., Mar., Apr., May, July, 1951).

The World Almanac, 1951.

U. S. News and World Report, (Feb. 23, 1951).

U. S. Statistical Abstract, 1951.

Woodworking Digest, (May, June, July, Aug., Sept., Oct., Nov., Dec., 1949; Jan., Feb., Mar., Apr., May, June, July, Aug., Sept., Oct., Nov., Dec., 1950; Feb., Mar., May, June, July, 1951).

Previous Issues of
BAYLOR BUSINESS STUDIES

1. *New Random Sampling Numbers,* by H. N. Broom, Ph.D.

2. *Presentation of Financial Statements in a Period of Fluctuating Prices,* by Emerson Henke, M.S., C.P.A.

3. *Analysis of Customer Reaction to Waco Retailers,* by Neil S. Foster, M.A.

4. *Population Change in Metropolitan Waco,* by Homer H. Hamner, Ph.D.

5. *Is Your Property Really Yours? A Study in Title Insurance,* by Walstein Smith, Jr., LL.B., M.B.A.

6. *Metropolitan Waco: A Study in Business and Economic Development,* by Floyd F. Burtchett, Ph.D.

7. *The Individual Investor As A Builder of Empire,* by Eleanor Jane Robinson, Ph.D.

8. *Some Major Personnel Problems in a Tightening Labor Market,* by Arch W. Hunt, Jr., M.A.

9. *Some Implications of Federal Income Tax Laws for Individual Investors In Real Estate,* by James F. Goodman, LL.B., M.B.A., C.P.A.

A limited number of copies of each of the above issues, except the first and second issues, may be purchased at fifty cents per copy.

Address, Director of Research, School of Business, Baylor University.